

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-sixth Legislature - First Regular Session

HOUSE WAYS & MEANS COMMITTEE OF REFERENCE

Report of Interim Meeting
Wednesday, January 18, 2023
House Hearing Room 1 -- UPON RECESS OR ADJOURNMENT OF REGULAR W&M
COMM

Convened 10:51 A.M.

Recessed

Reconvened

Adjourned 11:12 A.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE

1-19-23

Members Present

Representative Blattman
Representative Cano
Representative Carbone
Representative Grantham
Representative Livingston
Representative Pawlik
Representative Sandoval
Representative Smith
Representative Heap, Vice-Chairman
Representative Carter, Chairman

Members Absent

Agenda

Original Agenda -- Attachment 1

Request to Speak

Report -- Attachment 2

Committee Attendance

Report -- Attachment 3

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Lindsey Perry	Arizona Auditor General	4
Jeff Gove	Arizona Auditor General's Office	

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments</u>
	Continue Municipal Tax Code Commission for 4 years	9-1-0-0	5
	Continue State Board of Tax Appeals for 8 years	10-0-0-0	6

Sue Adams

Sue Adams, Committee Secretary
January 19, 2023

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

ARIZONA HOUSE OF REPRESENTATIVES

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

HOUSE WAYS & MEANS COMMITTEE OF REFERENCE

Date: Wednesday, January 18, 2023

Time: Upon Recess or Adjournment of Regular W&M Committee

Place: HHR 1

Members of the public may access a livestream of the meeting here:
<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2023011082>

AGENDA

1. Call to Order
2. Opening Remarks
3. Sunset Review of the Municipal Tax Code Commission
 - Presentation by the AZ Office of the Auditor General
 - Response by the Municipal Tax Code Commission
 - Public Testimony
 - Discussion and Recommendation
4. Sunset Review of the State Board of Tax Appeals
 - Presentation and response by the State Board of Tax Appeals
 - Public Testimony
 - Discussion and Recommendation
5. Adjournment

Members:

Representative Neal Carter, Chair
Representative Justin Heap, Vice Chair
Representative Seth Blattman
Representative Andres Cano
Representative Michael Carbone

Representative Travis Grantham
Representative David Livingston
Representative Jennifer Pawlik
Representative Mariana Sandoval
Representative Austin Smith

JY
01/12/2023

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

Information Registered on the Request to Speak System

House Ways & Means Committee of Reference (1/18/2023)

3, Sunset Review of the Municipal Tax Code

Support:

Rene Guillen, LEAGUE OF ARIZONA CITIES & TOWNS; Tom Savage, LEAGUE OF ARIZONA CITIES & TOWNS

Oppose:

Darren Coldwell, representing self; Bill Diak, representing self

All Comments:

Tom Savage, LEAGUE OF ARIZONA CITIES & TOWNS: The League supports extension of the Municipal Tax Code Commission. We have staff available to answer questions.; Darren Coldwell, Self: As City Manager of a small community, I personally know the importance of this tax code. The food sales tax contributes \$1.3 million dollars to our General Fund. Without this we can expect extensive cuts to all services, including personnel.; Bill Diak, Self: If this Bill passes it will cost the City of Page 9.8% of its annual budget. We will have no choice but to cut services. PLEASE NOT NOT PASS!

4, Sunset Review of the State Board of Tax Appeals

ARIZONA STATE LEGISLATURE
Fifty-sixth Legislature - First Regular Session

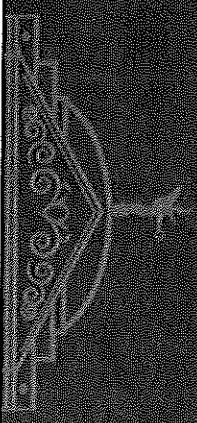
COMMITTEE ATTENDANCE RECORD

COMMITTEE ON WAYS & MEANS Committee of Reference

CHAIRMAN: Neal Carter VICE-CHAIRMAN: Justin Heap

DATE	01/18/23	1/23	1/23	1/23	1/23
CONVENED	10:51 m	m	m	m	m
RECESSED					
RECONVENED					
ADJOURNED	11:12				
MEMBERS					
Blattman	✓				
Cano	✓				
Carbone	✓				
Grantham	✓				
Livingston	✓				
Pawlik	✓				
Sandoval	✓				
Smith	✓				
Heap, Vice-Chairman	✓				
Carter, Chairman	✓				

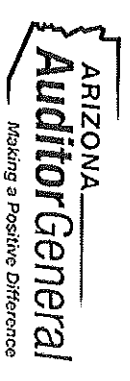
✓ Present --- Absent exc Excused



Arizona Municipal Tax Code Commission

Presenters: Lindsey Perry and Jeff Gove

Date: January 18, 2023



Who we are

- Legislative agency
- Independent, nonpartisan audit function to provide unbiased, objective information
- Overseen by the Joint Legislative Audit Committee (JLAC)
 - Approves audit schedule
 - Appoints Auditor General

Sunset review process

- Established by Legislature
- Systematic agency and program review
- Generally every 8 years prior to termination date

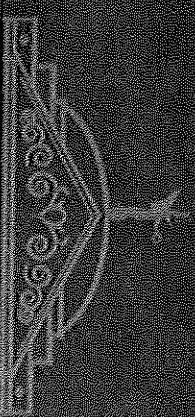
Sunset reviews assigned by JLAC

- Reviews conducted by
 - Auditor General
 - Committee of Reference
- 2-year audit cycle approved by JLAC
 - Audits generally due by October 1

Sunset reviews we conduct

- Sunset factor analysis, including:
 - Agency objective and purpose
 - Extent the agency serves the entire State
 - Harm to public if terminated

Committee of Reference hearing

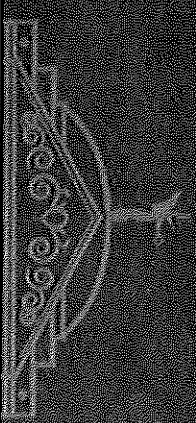


- Committee of Reference must hold hearings to
 - Determine if statutory requirements are necessary and being met
 - Recommend continuation, including time frame, or termination
- Prepare and introduce legislation related to recommendations for termination/continuation

Following up

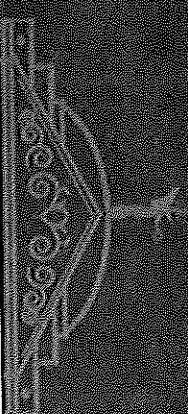
- Follow-up requirements
- Time frame: 6 and 18 months or beyond

Arizona Municipal Tax Code Commission



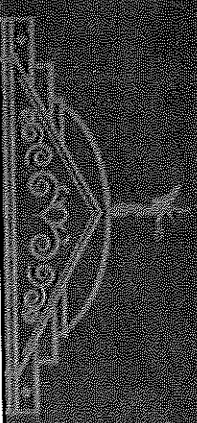
Sunset review

Municipal Tax Code Commission



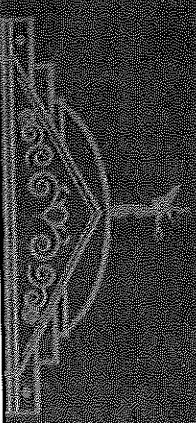
- Established in 1988 to review, hold hearings on, and approve/deny proposed changes to Model City Tax Code
- Any Arizona city, town, taxpayer, or Department of Revenue may submit proposed Model Code changes to Commission
- Department of Revenue required to provide administrative and staff support

Model Code



- Model Code is uniform tax act that Arizona cities and towns are statutorily required to adopt
- Commission can provide cities/towns options to tax or exempt certain items by approving:
 - Model Code amendment that applies only to 1 city or town
 - Model Code amendment to be adopted only by cities and towns that choose to do so

Commission membership



- Commission has 9 voting members who are city/town mayors or governing body members
 - 5 members appointed by Governor
 - 2 members appointed by Senate President
 - 2 members appointed by Speaker of House
- Department of Revenue director nonvoting member
- 6 vacant positions as of June 2022

Problem identified

Commission has not met statutory objective and purpose to hold public hearings on proposed Model Code changes because it lacks a quorum of members

Why this matters

Model Code at risk of becoming obsolete and no longer meeting needs of cities, towns, taxpayers, and businesses

Key recommendations

- Governor, Senate President, and Speaker of the House should consider appointing Commission members, as set forth in statute
- Once Commission's members have been appointed and it has a quorum of members, Commission should meet to review any proposed Model Code changes

Other problem identified

1 Commission member never submitted annual conflict-of-interest disclosure form required by Department of Revenue policy

Arizona Municipal Tax Code Commission

Presenters: Lindsey Perry and Jeff Gove

Date: January 18, 2023



ARIZONA HOUSE OF REPRESENTATIVES
Fifty-sixth Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON Ways & Means Committee of Reference BILL NO. _____

Sunset Review of the Municipal Tax Code Commission
DATE 1-18-2023 MOTION: pass
4 years

	PASS	AYE	NAY	PRESENT	ABSENT
Blattman		✓			
Cano		✓			
Carbone		✓			
Grantham		✓			
Livingston			✓		
Pawlik		✓			
Sandoval		✓			
Smith		✓			
Heap, Vice-Chairman		✓			
Carter, Chairman		✓			
		9	1	0	0

APPROVED:

Neal Carter
NEAL CARTER, Chairman
JUSTIN HEAP, Vice-Chairman

Steve Adams
COMMITTEE SECRETARY

ATTACHMENT 5

ARIZONA HOUSE OF REPRESENTATIVES
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ROLL CALL VOTE

COMMITTEE ON Ways & Means Committee of Reference BILL NO. _____

Sunset Review of the State Board of Tax Appeals
DATE 1-18-2023 MOTION: pass
8 years

	PASS	AYE	NAY	PRESENT	ABSENT
Blattman		✓			
Cano		✓			
Carbone		✓			
Grantham		✓			
Livingston		✓			
Pawlik		✓			
Sandoval		✓			
Smith		✓			
Heap, Vice-Chairman		✓			
Carter, Chairman		✓			
		10	0	0	0

APPROVED:

Neal Carter
NEAL CARTER, Chairman
JUSTIN HEAP, Vice-Chairman

See Adams
COMMITTEE SECRETARY

ATTACHMENT 6